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July 28, 2006

HAND DELIVER

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: The Berkshire Gas Company - D.T.E. 06-46

Dear Secretary Cottrell:

Enclosed please find a copy of the response of The Berkshire Gas Company to the First Set of Information Requests of the Department of Telecommunications and Energy for filing in the above-referenced proceeding. These responses are also being submitted electronically.

Thank you for your consideration.

Very truly yours,

BROWN RUDNICK BERLACK ISRAELS LLP

By: _____

James M. Avery

A handwritten signature of James M. Avery in black ink, written over a horizontal line.

JMA/cdw
Enclosure

cc: Andrea Saia, Esq., Hearing Officer (w/2 enc via hand delivery)
Kevin Brannelly, Director, Rates and Revenue Requirements Division (w/enc via hand delivery)
Sean Hanley, Assistant Director, Rates and Revenue Requirements Division (w/enc via hand delivery)
John Cope-Flanagan, Assistant General Counsel (w/enc via hand delivery)
Steven Crowley, Analyst, Rates and Revenue Requirements Division (w/enc via hand delivery)
Mauricio Diaz, Analyst, Rates and Revenue Requirements Division (w/enc via hand delivery)
Miguel Maravi, Analyst, Rates and Revenue Requirements Division (w/enc via hand delivery)
Jamie M. Tosches, Assistant Attorney General (w/enc via hand delivery)
Karen L. Zink, President, COO and Treasurer (w/enc)
Jennifer M. Boucher, Manager - Regulatory Economics (w/enc)

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**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 06-46**

Witness: Jennifer M. Boucher
Date: July 28, 2006

Question

DTE 1-1: Please refer to the Company's filing, Attachment 1, page 1. Does the Rate T-54 adjustment that the Company made to the seasonal maximum daily quantities and billing determinants relating to the University of Massachusetts - Amherst have any effect on the base rate charges proposed by the Company? If yes, then explain the effect in detail and provide supporting documents.

Response: The Rate T-54 adjustment that the Company made to the seasonal maximum daily quantities and billing determinants relating to the University of Massachusetts - Amherst does not have any effect on the proposed base rate charges. Consistent with the Department's decisions in D.T.E. 01-56 and D.T.E. 04-52, the base rate increase is calculated by applying the percentage change in the GDP-PI less a 1% consumer dividend to each component of the current delivery rates. The University of Massachusetts - Amherst adjustment, and all other normalization adjustments in the Company's filing, are for illustrative purposes only.

**Department of Telecommunications and Energy
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**THE BERKSHIRE GAS COMPANY
D.T.E. 06-46**

Witness: Jennifer M. Boucher
Date: July 28, 2006

Question

DTE 1-2: Please refer to the Company's filing, Attachment 2, page 2. Provide the source and each quarterly inflation index for the period 2003-2005. In addition, explain whether the quarterly inflation indexes used in D.T.E. 05-43 remain as filed in that case.

Response: The source of the data provided on Attachment 2, page 2 of the Company's filing is from the Bureau of Economic Analysis website, www.bea.gov. The 05-06 Annual Average Index displayed on line number 6 of Attachment 2, page 2 utilizes data from the BEA website as of April 28, 2006, while the 04-05 Annual Average Index utilizes data from the BEA website on April 28, 2005 as provided in D.T.E. 05-43. As of June 29, 2006, the BEA website displays the following quarterly inflation indexes beginning in 2003:

Table 1.1.4 Price Indexes for Gross Domestic Product [Index Numbers, 2000 = 100] Seasonally Adjusted Bureau of Economic Analysis Last Revised June 29, 2006				
	2003	2004	2005	2006
1Q	105.724	107.951	110.950	114.409
2Q	106.019	108.976	111.655	n/a
3Q	106.500	109.371	112.567	n/a
4Q	106.996	110.111	113.532	n/a

Consistent with the BEA's National Income and Products Account ("NIPA") revision cycle, the quarterly inflation indices utilized in preparing the Company's filing in D.T.E. 05-43 filing have been revised. The NIPA annual revision process that incorporates the newly available source data is described in detail in the Company's Reply Comments filed on July 12, 2006.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 06-46**

Witness: Jennifer M. Boucher
Date: July 28, 2006

Question

DTE 1-3: Please refer to the Company's filing, Attachment 2, page 2. To calculate inflation, why did the Company use the "04-05" Gross Domestic Product-Price Index ("GDP-PI") Average from its 2005 compliance filing, D.T.E. 05-43, as opposed to using the updated "04-05" GDP-PI Average from the U.S. Department of Commerce Bureau of Economic Analysis Survey of Current Business, which would have been consistent with the inflation calculation filed in the compliance filings in D.T.E. 05-43 and D.T.E. 04-52?

Response: The Company contends that using the "04-05" Gross Domestic Product-Price Index ("GDP-PI") Average from its 2005 compliance filing approved in D.T.E. 05-43 will more accurately reflect the percent change in the GDP-PI. As described in Information Request DTE-1-2 and the Company's Reply Comments filed on July 12, 2006, there are annual, on-going adjustments and revisions to the GDP-PI data administered by the BEA that incorporate newly available source data in the inflation indices. By comparing the current index (that reflects annual revisions) to the previous year's index (as provided in the preceding year's Compliance Filing for ratemaking), the Company contends that it is appropriately capturing the real change in inflation from one period to the next that should be applied in establishing rates. Alternatively, if the Company used later, revised figures for the "04-05" GDP-PI calculations, the resulting rate adjustment could be over or understated. For example, if BEA adjustments resulted in a reduction to the 04-05 figures, the Company's aggregate two-year inflation adjustment would be overstated and rates raised by more than the cumulative level of inflation actually experienced (less the consumer dividend). Conversely, if BEA adjusted the 04-05 index by increasing such levels, the cumulative level of rate adjustment would be understated.

The Company submits that the approach employed in D.T.E. 05-43 to calculate the inflation portion of the rate plan adjustment, in fact, does not accurately establish inflation for ratemaking purposes. The Company's first rate adjustment in 2004 (D.T.E. 04-52) employed BEA figures as of the end of the first calendar quarter in 2004 (from the BEA website as of April 29, 2004). This resulted in a 1.65% inflation factor (106.13 / 104.40). In 2005, Berkshire applied the latest BEA information as of the end of the first calendar quarter (from the BEA website on April 28, 2005) to the BEA's new "adjusted" 2003-2004 figures which had been increased from an annual average of 106.13 to an annual average of 106.46. This resulted in a 2.37% inflation factor (108.98 / 106.46). If this approach was applied with respect to the current adjustment, the 2006 data (from the BEA website as of April 28, 2006) would be applied to 2005 data which was adjusted up from an annual average of 108.98 to an annual average of 109.85. This would result in a 2.91% inflation factor (113.05 /

**Department of Telecommunications and Energy
First Set of Information Requests**

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**Question
DTE 1-3 (cont'd):**

109.85). Under this approach, there is a substantial undercollection in rates for inflation; in fact, the total "inflation" adjustments over the past three years would equal only 6.93% (see Attachment DTE-1-3(a)).

In actual fact, according to the newest BEA data (from the BEA website as of April 28, 2006) cumulative inflation from the 2nd quarter of 2002 through the 1st quarter of 2006 has been 7.94% (113.05 / 104.73), just over 1.0% more than the Company would be allowed in rates using the prior, but inexact approach. Attachment DTE-1-3(b) illustrates this calculation. While the most recent BEA data demonstrates that the inflation factor has increased over previous published estimates, the modifications to the BEA data can and does work in both directions. For example, if 2006 data is restated by BEA at a lower level (which has happened already for some recent quarterly data), the Company's 2007 rate adjustment using the past methodology could result in the inflation factor being overstated for purposes of ratemaking.

An alternative and perhaps more accurate approach is to apply the 2.91% inflation factor for the current rate adjustment but also, at the same time, reconcile the prior two adjustments to incorporate changes in previously published BEA information. Applying this approach, the 2005 inflation factor would, therefore, be restated to the more accurate 2.79% level rather than 2.37% and the 2004 inflation factor would be 2.04% versus 1.65%. As shown on Attachment DTE-1-3(c), this would result in a reconciling adjustment of 0.43% for 2005 and 0.38% for 2004, in addition to the current inflation factor of 2.91%, resulting in a total inflation adjustment of 3.72%. Under this approach, the cumulative inflation adjustments under the plan would equal 7.74% (3.72 + 2.37 + 1.65) which would lag behind the 7.94% inflation factor based on current published BEA figures (even without considering the cost of delaying this correction). Importantly, these adjustments would not only be more accurate, but would also work in both directions. Thus, for example, if the 2004 adjustment should have been lower based on the latest BEA information, a negative adjustment would be appropriate in the next succeeding compliance filing.

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Question
DTE 1-3 (cont'd):

The Company, therefore, submits that its revised approach or the alternative described herein is more accurate and results in consistent and reasoned ratemaking treatment. In addition, the change in approach does not generate an over- or under-collection, rather, serves to reconcile or "true-up" the rates developed in D.T.E. 05-43 and D.T.E. 04-52.

Historical Method	Per Filing D.T.E. 05-43	Per Filing D.T.E. 04-52
Q1 2006	114.45	106.92
Q4 2005	113.53	106.27
Q3 2005	112.57	105.87
Q2 2005	111.66	105.44
Annual Average	113.05	106.13
Q1 2005	110.04	105.16
Q4 2004	109.16	104.57
Q3 2004	108.55	104.12
Q2 2004	108.17	103.74
Annual Average	108.98	104.40
Q1 2004	107.31	105.16
Q4 2003	106.59	104.57
Q3 2003	106.16	104.12
Q2 2003	105.78	103.74
Annual Average	106.46	104.40
Index Change	3.20	1.73
Percent Change	2.91%	1.65%
		Cumulative Total
		6.93%

Price Indexes for Gross Domestic Product
Seasonally Adjusted
Bureau of Economic Analysis
As of 4/28/2006

	2005-2006 (1)	2004-2005 (2)	2003-2004 (3)	2002-2003 (4)	Index Change 2002-2006 (5)	Percent Change 2002-2006 (6)
Quarter 1	114.45	110.95	107.95	105.72	(1) - (4)	(5) / (4)
Quarter 4	113.53	110.11	107.00	104.93		
Quarter 3	112.57	109.37	106.50	104.35		
Quarter 2	111.66	108.98	106.02	103.94		
Annual Average	113.05	109.85	106.87	104.73	8.32	7.94%

		Per Filing		Per Current			
		D.T.E. 05-43		GDP-PI			
Q1 2006 Q4 2005 Q3 2005 Q2 2005	114.45	Q1 2005 Q4 2004 Q3 2004 Q2 2004 Annual Average	110.04	110.95 110.11 109.37 108.98 109.85			
	113.53		109.16				
	112.57		108.55				
	111.66		108.17				
	113.05		108.98				
Q1 2005 Q4 2004 Q3 2004 Q2 2004	110.95	Q1 2004 Q4 2003 Q3 2003 Q2 2003 Annual Average	107.31	107.95 107.00 106.50 106.02 106.87			
	110.11		106.59				
	109.37		106.16				
	108.98		105.78				
	109.85		106.46				
Index Change	3.20	Index Change	2.52	2.99	Index Reconciliation		
Percent Change	2.91%	Percent Change	2.37%	2.79%	0.43%		
Q1 2004 Q4 2003 Q3 2003 Q2 2003	106.92	Q1 2004 Q4 2003 Q3 2003 Q2 2003	106.27	107.95 107.00 106.50 106.02			
	106.27		105.87				
	105.87		105.44				
	105.44		106.13				
	106.87		105.16				
Q1 2003 Q4 2002 Q3 2002 Q2 2002	105.16	Q1 2003 Q4 2002 Q3 2002 Q2 2002	104.57	104.93 104.35 103.94 104.73			
	104.57		104.12				
	104.12		103.74				
	103.74		104.40				
	104.73		105.16				
Index Change	1.73	Index Change	1.73	2.13	Index Reconciliation		
Percent Change	1.65%	Percent Change	1.65%	2.04%	0.38%		